Washington State
Liquor Control Board

Business Advisory Council
Agenda

Wednesday, October 22, 2008
10:30 a.m. – 2:00 p.m.

Hosted by:
Liquor Control Board
Liquor Control Board Headquarters
3000 Pacific Avenue SE
Conference Room 201 (upstairs)
Olympia, WA 98501

10:30 am – 10:35 am	Roger Hoen, Board Liaison to the BAC ▪ Welcome and Introductions

10:35 – 11:00 am	Dr. Arun Raha, Executive Director and
	    Chief Economic Forecaster for the
	    Economic & Revenue Forecast Council
	▪ Budget Forecast for the State

11:00 – 11:55 am	Roundtable Update – including the members 2009 legislative agendas
11:55 – 12:15 pm	Lunch Rick Garza ▪ Policy and Legislative Update
12:15 – 12:45 pm	Mona Moberg ▪ Key Impact Measures
12:45 – 1:15 pm	Staff Reports ▪ Enforcement - Pat Parmer ▪ Business Enterprise - Pat McLaughlin ▪ Licensing - Alan Rathbun
1:15 – 1:30 pm	Lorraine Lee: ▪ Update on Social Responsibility Committee
1:30 – 1:45 pm	Roger Hoen ▪ Invitation to RUaD meeting on efforts for shared solutions

1:45 – 2:00 pm	Roger Hoen
	  ▪ Closing Remarks
	  ▪ 2009 Meeting Schedule Possible Dates:
	    o Wednesday, January 22, 2009
	    o Wednesday, April 22, 2009
	    o Wednesday, July 22, 2009
	    o Wednesday, October 21, 2009

New Forecast Council Executive Director Announced

OLYMPIA, September 2, 2008 --- **The Economic and Revenue Forecast Council has named Arun Raha to serve as executive director to replace interim director Steve Lerch and former director ChangMook Sohn.**

"We couldn't have made a better choice," said State Representative and Forecast Council Chair Jim McIntire. "Dr. Raha's strong track record and his expertise in global economics and forecasting are a great fit for this very important position, especially at this turbulent time. The Council is delighted to have him return to Washington."

"I would also like to take this opportunity to express the Council's appreciation to Dr. Lerch for his timely and very capable assistance," said McIntire. Lerch will be returning to his regular position with the State Investment Board once the transition is complete.

Raha comes to the Forecast Council with a wealth of experience. Since 2005 he has been Vice-President for Economic Research & Consulting at Swiss Re in New York, the world's largest reinsurer, headquartered in Zurich, Switzerland. In that capacity he was responsible for forecasts of North American macroeconomic, financial, and property-casualty insurance markets.

Prior to joining Swiss Re, Arun Raha managed Economic Analysis at Eaton Corporation, a global diversified industrial manufacturer. While at Eaton, Raha served on the Ohio Governor's Council of Economic Advisors. In the late 1990s Raha was Director of the Asia Service at the world's leading economic and information consulting firm, WEFA (now Global Insight, Inc.).

Raha earned his PhD in economics from Washington State University, and had previously been a member of the Economics faculty at Boise State University where he forecast Idaho State General Fund Revenues for the state legislature.

Raha received the Federal Reserve Bank of Chicago's top overall forecast prize in 2007, as well as the Wall Street Journal's forecasting award in January 2005.

"Arun seemed to have the right mix of education, training, and experience regarding the economy and forecasting as well as an ability to effectively communicate technical information to a broad audience whose expertise lies in areas other than in economics and forecasting," said State Representative Ed Orcutt, Forecast Council member.

Arun Raha has been quoted in the Wall Street Journal, Washington Post, Atlanta Journal Constitution, Montreal Gazette, Business Week, CNN Money, Bloomberg News, and various trade journals. He has appeared several times on Bloomberg TV. He is a former trustee of the Automotive Market Research Council and a past Chair of its Commercial Vehicle Committee.

Arun Raha is on the Wall Street Journal's Economic Forecasting Panel and his economic forecasts have been included in Business Week, Blue Chip, Bloomberg, Reuters and Consensus Forecasts.

"I am excited that we were able to find someone of Arun's caliber. He exemplifies the kind of integrity and objectivity vital to this position. I am confident he will serve us well in the coming years," said Victor Moore, another member of the Forecast Council and the Director of the Office of Financial Management.

Raha will be available for introductions to the press at the Council's Economic Review meeting, Sept. 5th at 2:30 p.m. in JLOB Hearing Room E.

The Forecast Council was formed in 1984 to provide independent and objective forecasts of state revenues to the governor and Legislature. Two of the Council members are appointed by the Governor, and four members are appointed by the Legislature, one each from the two largest caucuses in the Senate and House of Representatives.

State Economic Outlook

Prepared for Liquor Control Board's Business Advisory Council Meeting

Arun Raha
Executive Director

October 22, 2008

Washington State Economic and Revenue Forecast Council

Overview

- State of the U.S. economy
- September forecast of WA economy
  - Outlook weakened, expected revenues ↓
  - Financial crisis <u>not</u> factored in
- September revenue forecast changes
- Revisions to Global Insight's U.S. forecast in October
- Summary

Arun Raha
21 October 2008

Slide 1

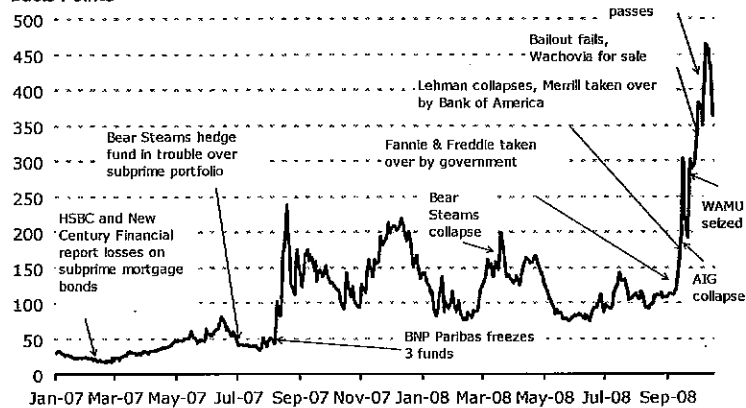**Washington State Economic and Revenue Forecast Council**

Credit markets are still tight

Widening spread indicated that banks are less willing to lend to each other

USD 3m LIBOR - 3m US T-bill Spread
Basis Points

Bailout passes

Bailout fails, Wachovia for sale

Lehman collapses, Merrill taken over by Bank of America

Bear Steams hedge fund in trouble over subprime portfolio

Fannie & Freddie taken over by government

HSBC and New Century Financial report losses on subprime mortgage bonds

Bear Steams collapse

WAMU seized

AIG collapse

BNP Paribas freezes 3 funds

500, 450, 400, 350, 300, 250, 200, 150, 100, 50, 0

Jan-07 Mar-07 May-07 Jul-07 Sep-07 Nov-07 Jan-08 Mar-08 May-08 Jul-08 Sep-08
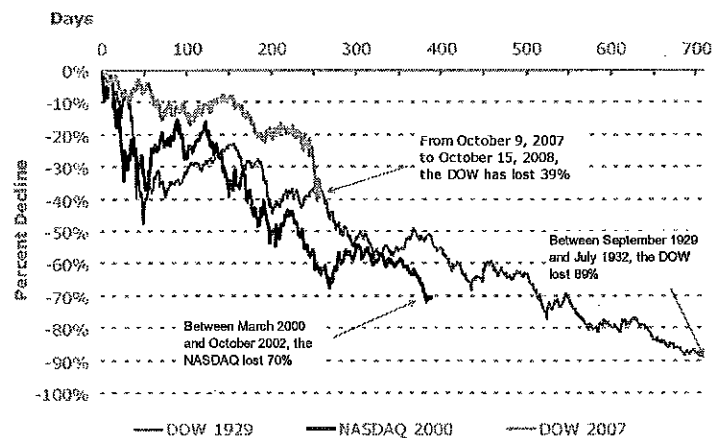
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21 October 2008

Slide 2

Source: British Bankers Association, US Federal Reserve Bank, ERFC; data through October 17, 2008

Washington State Economic and Revenue Forecast Council

We are in a "bear market," but it has been worse before

Days

0   100   200   300   400   500   600   700

0%, -10%, -20%, -30%, -40%, -50%, -60%, -70%, -80%, -90%, -100%

Percent Decline

From October 9, 2007 to October 15, 2008, the DOW has lost 39%

Between September 1929 and July 1932, the DOW lost 89%

Between March 2000 and October 2002, the NASDAQ lost 70%

DOW 1929   NASDAQ 2000   DOW 2007

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Source: Yahoo Finance, ERFC

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Washington's economy is diversified

Income Shares

- Agriculture & Forestry
- Construction
- Manufacturing, Mining & Utilities
- Wholesale & Retail Trade
- Finance, Insurance, Real Estate
- Health Care
- Hospitality
- Information
- Federal, State, Local Govt (incl. Mil)
- Other Services

Employment Shares

We are largely a service based economy, both in employment and income generation

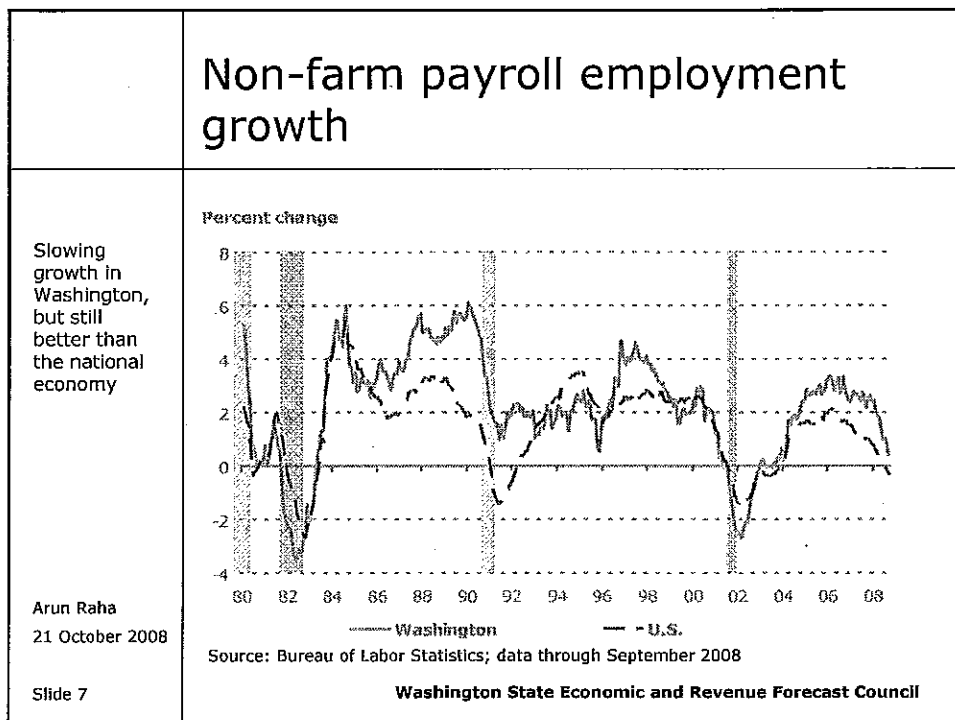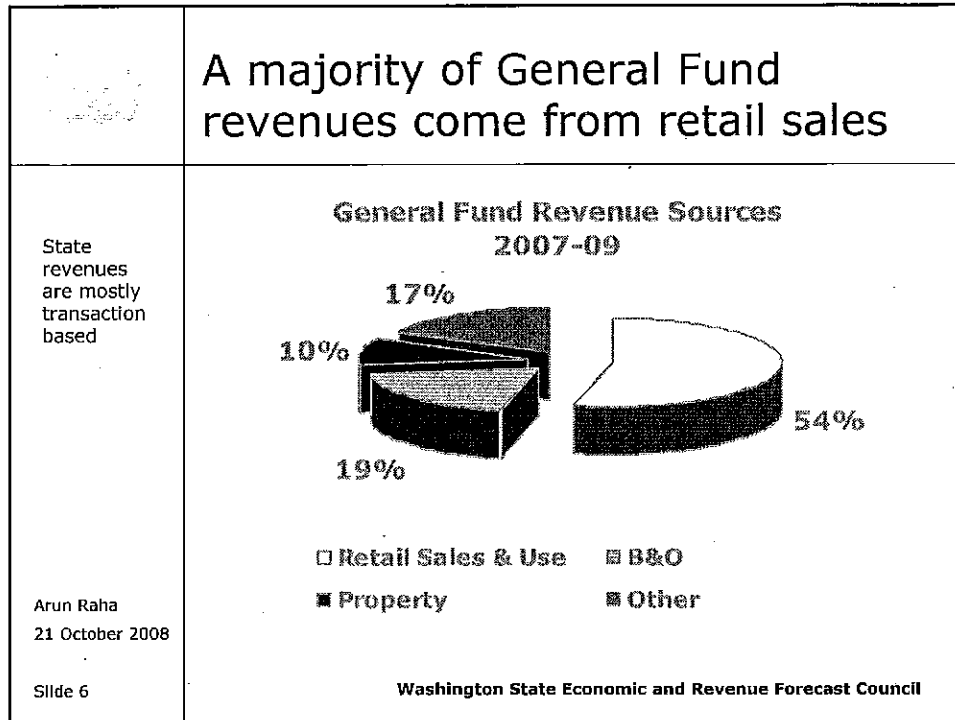Manufacturing hires 8% of the workforce, but generates 13% of the income

Information hires 3% of the workforce, but generates 7% of the income

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21 October 2008

Source: US Bureau of Economic Analysis, ERFC; 2007 annual data

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Key drivers of State General Fund revenues

- WA Employment
  - Wages
- WA Construction activity
  - Residential
  - Non-residential
- WA Retail sales
  - Auto sales
  - Furniture and appliances
  - General merchandise sales
- Consumer sentiment

All of these are influenced by the state of the national economy

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A majority of General Fund revenues come from retail sales

State revenues are mostly transaction based

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Slide 6

General Fund Revenue Sources 2007-09

17%

10%

54%

19%

☐ Retail Sales & Use   ▩ B&O

■ Property   ▩ Other

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Non-farm payroll employment growth

Slowing growth in Washington, but still better than the national economy

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Percent change

8

6

4

2

0

-2

-4

80 82 84 86 88 90 92 94 96 98 00 02 04 06 08

──── Washington   ── ─ U.S.

Source: Bureau of Labor Statistics; data through September 2008

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Non-farm employment growth:
WA expected to outperform U.S. economy

Percent change

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Source: ERFC, September 2008 forecast

━━━ Washington   ━ ～U.S.

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State housing permit activity has slowed, similar to the national economy

Thousands, annualized units, 3 MMA, SA

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Source: Census Bureau, ERFC

━━━ U.S.   ━━━ WA

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Construction employment growth:
WA outperforms U.S. until late in the cycle

CAUTION: this forecast was made prior to the financial market turmoil in September

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Percent change

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011

——— Washington ——— U.S.

Source: ERFC, September 2008 forecast

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State taxable car sales have been declining at the national rate

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Percent Change Year Ago

—— U.S. Private Auto Sales ——— WA Taxable Auto Sales

Source: Department of Revenue, ERFC

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Consumer sentiment is at recessionary levels

Index, 1966Q1 = 100, SA

Source: University of Michigan

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Exports have been a bright spot, but are moderating

Export Growth

Export shares by destination

■ Asia ■ Europe ■ Oceania
■ North America ■ Latin America ■ Africa

Source: WISER

- Exports have been helped by a weak USD
- Global slowdown and strengthening USD will hurt exports
- Economic weakness in Europe will be more pronounced than in Asia
- USD will remain weak against Asian currencies, but strengthen against European currencies

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Changes to General Fund revenue forecast in September

2007-09 Biennium	2009-11 Biennium

Total
Others
REET
B&O
Retail Sales & Use

-400   -200   0   200
USD mill

Total
Others
REET
B&O
Retail Sales & Use

-400   -200   0   200
USD mil
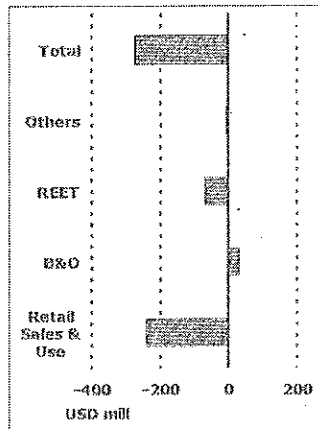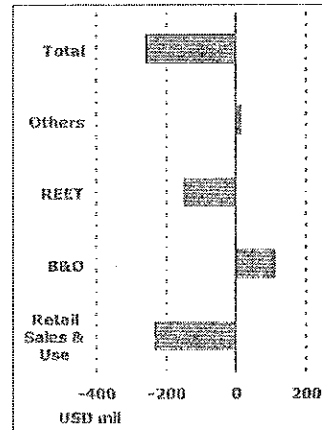
Source: ERFC

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Changes to Global Insight's U.S. forecast since September

October forecast is more pessimistic than September's, especially for employment

GDP growth (%)
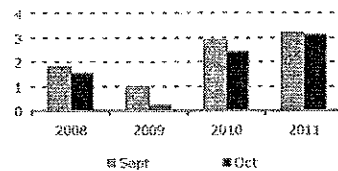
2008   2009   2010   2011
☐ Sept   ■ Oct

Disp. Personal Income (%)

2008   2009   2010   2011
☐ Sept   ■ Oct

Payroll Employment (%)

2008   2009   2010   2011
☐ Sept   ■ Oct

WTI crude, USD/bbl

2008   2009   2010   2011
☐ Sept   ■ Oct
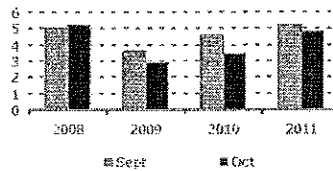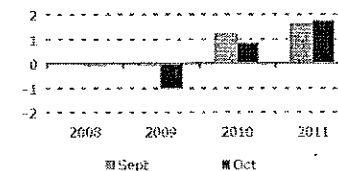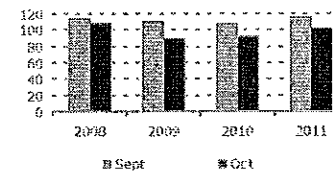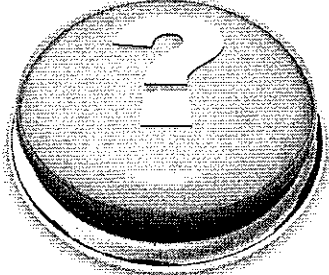
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Summary

- The economic outlook presented in September was weaker than in June

- Washington has a diversified economy and was expected to outperform the national economy

- Since then the outlook has worsened as a result of the heightened turmoil in financial markets in September

- Our next forecast will be presented in November

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Questions

Economic & Revenue Forecast Council
1025 E. Union Avenue, Suite 544
Olympia WA 98504-0912

Arun Raha

21 October 2008

www.erfc.wa.gov
360-570-6100

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WSLCB 2009 Agency Request Legislation

Nightclub Liquor License

The only liquor license available to businesses operating as nightclubs that wish to serve spirits is a spirits, beer, and wine restaurant liquor license. Nightclubs are businesses that primarily provide live entertainment and serve alcohol. Restaurants are primarily food service businesses that also serve alcohol. Having a separate license for nightclubs would allow the Board to clearly distinguish between restaurants where the primary activity is dining and nightclubs where the primary activities are entertainment and alcohol service.

When local officials receive notice of liquor license applications for businesses that operate as nightclubs, the designation "spirits, beer, and wine restaurant" does not clearly identify the type of business operation that is intended. Local officials have indicated that a better indication of the type of business would help them give applications the appropriate review to determine if the nightclub licenses in the particular locality are adequate for the reasonable needs of the community.

This proposal:
- Creates a new retail spirits, beer, and wine nightclub liquor license;
- The annual fee is established at $2,000 annually;
- The license may be issued only to a person whose business includes the sale and service of alcohol;
- Has food sales and service incidental to the sale and service of alcohol (no specific food requirement);
- Have primary business hours between 9pm and 2am;
- Grants the board authority to review and set the fees at a level sufficient to defray the cost of licensing and enforcement of this license;
- Allows local governments to petition the board to request further restriction be imposed on the license in the interest of public safety (examples: no minors at all times, submitting a security plan, signing a good neighbor agreement with the local government);
- Defines "nightclub" – an establishment that provides entertainment and has as its primary source of revenue (a) the sale of alcohol for consumption on the premises, (b) cover charges, or (c) both, and has an occupancy load of 100 or more;
- Adds the requirement for employees to hold a MAST permit;
- Removes the cap on the number of spirits, beer, and wine restaurant licenses that may be issued statewide.

LCB to Issue Cigarette/Tobacco License

The Tobacco Tax Unit (TTU) of the Liquor Control Board does not currently have the ability to take administrative action against retail cigarette and tobacco licensees for non-payment of taxes. The applicant applies for the license through Master License Service and the license is issued. Background investigations, financial investigations, right to the real property, and violation history are not conducted.

This proposal:
- Gives the Liquor Control Board the administrative authority to approve, deny, suspend, or revoke the retail/wholesale cigarette/tobacco product license applications.
- This is accomplished through pre-licensing investigations to determine if an applicant has outstanding compliance issues. It has proved to be extremely effective in gaining cooperation and compliance.

Beer & Wine Regulation, Joint Select Committee
September 9, 2008
House Hearing Room A
1:00 p.m.

Work Session:
1.   **Post and Hold**
            a. Overview and history
            b. Public comment
2.   **Minimum Mark-Up**
            a. Overview and history
            b. Public comment
3.   **Retailer to Retailer Product Transfers**
            a. Overview and history
            b. Public comment
4.   **Ban on Credit with Respect to Electronic Fund Transfers**
            a. Overview and history
            b. Public comment
5.   **Money's Worth with Respect to Advertising**
            a. Overview and history
            b. Public comment
6.   **Discussion of Future Agendas**

Beer & Wine Regulation, Joint Select Committee
September 30, 2008
J.A. Cherberg Building, Senate Conference Rooms ABC
1:00 p.m.

Work Session:
1.   **Tied House Law – money's worth**
            a. Overview and history
            b. Public comment
2.   **Tied House Law – financial interest/ownership**
            a. Overview and history
            b. Public comment
3.   **Quantity Discounts**
            a. Overview and history
            b. Public comment
4.   **Central Warehousing**
            a. Overview and history
            b. Public comment
5.   **Sales by out-of-state retailers to Washington residents, including on-line sales**
            a. Overview and history
            b. Public comment
6.   **Discussion of next steps**

Beer and Wine Regulation Joint Select Legislative Committee Review

Background
Over the last few years the Legislature and LCB have been involved in reviewing our state's three-tier, tied house, and pricing regulations. The Costco case (pricing) and Granholm case (direct shipping) heightened the need to consider regulatory reform for our beer and wine laws. We have been contacting other states to learn details about their practices and issues around enforcing these regulations as the joint legislative committee evaluates them.

Purpose
In 2008, Second Engrossed Substitute Senate Concurrent Resolution 8407was passed by the Legislature. The Joint Select Legislative Review was established to review laws relating to the manufacture, distribution, and sale of beer and wine.

Approach
The legislative committee consists of eight members and is co-chaired by the chair and ranking minority member of the Senate and the House Labor, Commerce, Research, and Development Committee. The two largest caucuses of the Senate and House each appointed one member to the Committee.

Approximately four meetings are scheduled between August and November 2008 where the Industry Coalition and other interested parties will present their suggested changes to the Committee for consideration. LCB is providing information and details about current alcohol laws and enforcement practices to assist the Committee in their review. The Committee will report its findings and recommendations to the Legislature by December 1, 2008.

Industry Coalition Formed
An "Industry Coalition" was created in order to determine if there is general agreement on the issues being reviewed by the Joint Select Legislative Committee. The Coalition has been meeting over the last three months and is comprised of representatives from various organizations such as:

- Washington Food Industry
- Costco Wholesale
- Washington Wine Institute
- Washington Beer and Wine Wholesalers Association
- Northwest Grocery Association
- Washington State Hotel and Lodging Association
- Washington Association of Neighborhood Stores
- Washington Brewer's Guild
- Washington Restaurant Association
- Wine.com
- Wine Institute

Contact: Rick Garza, Director's Office (360) 664-1650 (RJG@liq.wa.gov)

9/4/08 (mlm) rev. 9/8/08

Agency Key Factors and Impact Measures

Purpose
The 2006 Three Tier Task Force recommended the LCB create key impact measures to allow the agency to collect data to effectively show how policy/rule changes affect the industry, consumers, the state, and society. The Three Tier Task Force Report dated November 21, 2006 specifically recommended *"The Legislature is encouraged to provide funding to the LCB to develop research and analysis capability, and work collaboratively with stakeholders and other agencies and organizations to collect independent data, and to use/analyze existing data."*

Approach
In early 2008 an internal workgroup was assigned to identify the most important measures the agency should use for future policy/regulatory change decisions. Research experts were invited to the agency to share their insight and discuss what type of data would be available for different possible measures. Prevention community, industry members, and agency staff provided feedback on potential measures. In addition, the agency conducted youth focus groups to increase understanding of their alcohol usage and attitudes. The workgroup used these ideas to create a large list of measures for consideration. After discussing the validity and effectiveness of the ideas, the workgroup scaled down the list of 26 possible measures to five.

The workgroup identified two key outcomes to focus the measures around.
- Safe Communities
- Reduce Underage Drinking

Using a proven research approach, the workgroup built two "causal models" to help understand how certain factors affect the two outcomes. Based on these discussions, the workgroup identified six key factors that policies and regulations will be evaluated against.

Results and Next Steps
An evaluation tool was created which includes six key factors.
- Advertising and marketing activities (possible increased youth exposure)
- Regulatory action required (enforcement, licensee education and training)
- Responsible licensee (proper business practices being followed)
- Pricing practices (how price ultimately will be impacted at the consumer level)
- Access and availability (does it increase access to alcohol)
- Agency resources (staff, equipment, dollars)

Using these factors, key impact measures have been identified.
- Violations of law (sales to minors, over-service)
- Public complaints (including objections to license renewals)
- Number of locations selling (density level)
- Medical and police alcohol-related service calls
- Price (at manufacturer, distributor, importer and retail tiers)

Additional measures will be applied as needed to allow the agency to determine additional data needed to support or evaluate decisions. For example, abusive consumption rates would be important to monitor where data is available such as youth consumption as monitored through the Healthy Youth Survey.

Stakeholders are asked to provide written comment on the proposed measures to the LCB by October 17, 2008.

Contact: Mona Moberg, Director's Office (360) 664-4515 (MLM@liq.wa.gov)

8/18/08 (mlm) rev. 9/25/08

Agency Key Impact Measures - Update

Business Advisory Council

October 22, 2008

Background

☐ The 2006 Three Tier Task Force recommended the LCB create key impact measures to allow the agency to collect data to effectively show how policy/rule changes affect the industry, consumers, the state, and society.

☐ The Three Tier Task Force Report dated November 21, 2006 specifically recommended:

■ *"The Legislature is encouraged to provide funding to the LCB to develop research and analysis capability, and work collaboratively with stakeholders and other agencies and organizations to collect independent data, and to use/analyze existing data."*

Approach

- An internal workgroup was created in 2008 to identify the key impact measures.

- The Workgroup included representatives from:

  - Board
  - Director's Office
  - Licensing and Regulation
  - Enforcement and Education
  - Business Enterprise
 - Administrative Services

Evaluation Factors

□ **Advertising & Marketing Activities**
- Likelihood advertising/marketing will be viewed by youth or will encourage youth drinking
- Marketing activity has influence on social norms of irresponsible drinking
- Creates increased youth exposure to marketing/advertising in a traditional family environment

□ **Enforcement and Licensing**
- Increased workload on Licensing and Enforcement (may be due to retail business model or license type)
- Impact of new law on local law enforcement agencies local government

□ **Education and Training**
- Additional licensee training needed on current and new laws
- Additional effort to educate the public (and parents) about laws against providing alcohol to youth and affect of alcohol on youth

□ **Pricing Practices**
- Whether activity will lower price

□ **Access & Availability**
- Whether the number (density) of licensees makes alcohol more accessible to youth
- Whether alcohol could become more available/accessible and have a negative impact to safe communities and youth
- Source for alcohol abuse

□ **Agency Resources**
- Staff impact
- Dollars to improve equipment or facilities
- Additional FTE's to support program requirement
- Additional equipment needed (new software, vehicles, stores, etc.)

Key Impact Measures

- **LCB Violations**
  - Over-service
  - Underage service
  - Compliance rates
  - Sales to intoxicated individuals
  - Prohibited practices
  - Emergency suspensions
- **State/Local Agency Violations**
  - DUI's
  - Calls for service
  - Emergency Room visits (alcohol-related)
- **Customer Complaints/Comments**
- **Request for Licensing Actions**
  - Non-renewal of existing license
  - Denials
- **Number of Alcohol Impact Areas (AIA) and number of licensees affected**
- **Number of Locations Selling Alcohol (by license type, city, county)**
- **Healthy Youth Survey data (various data on drinking rates, age begin drinking, etc.)**
- **Per Capita Consumption rate**
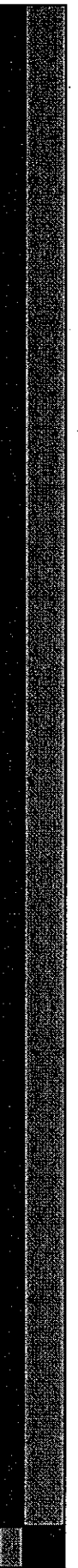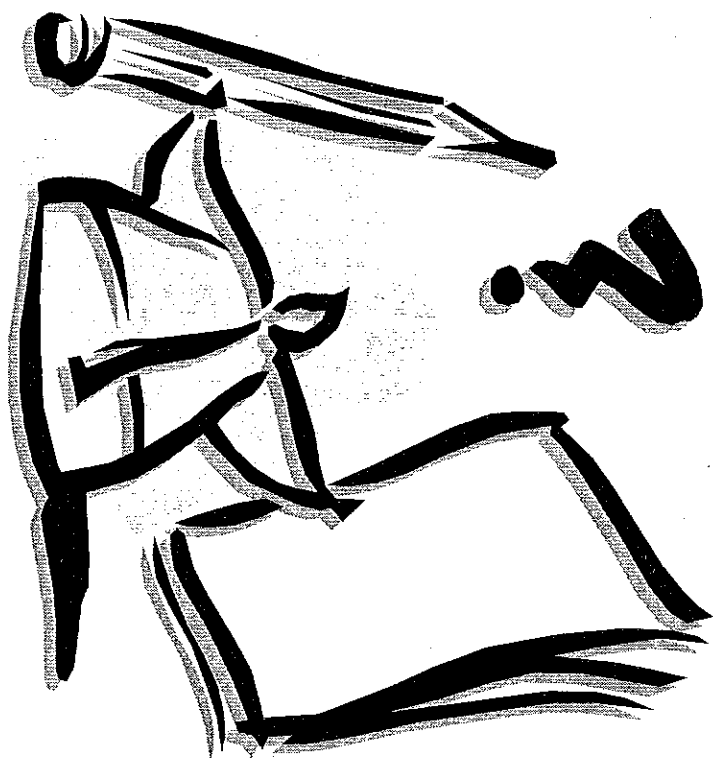
DRAFT September 16, 2006 Conference Planning Copy
Officer Managed Area Planning
(OMAP)

OMAP has been developed to promote assessment, planning, goal setting and success measurement at all levels of the division. OMAP increases accountability by requiring officers to assess the public safety and education needs of their assigned areas and develop short, mid and long term plans to permanently address those needs. Lieutenants are responsible for coordinating these plans into a team concept and Captains oversee the regional results and outcomes. OMAP encourages ownership of area problems and promotes long term systemic solutions employing all of the tools available to officers.

Officer Managed Area Planning:

- Accomplishes public safety goals based on best practices/community assessment
- Provides license-specific educational opportunities to all licensees
- Maintains credible levels of compliance within the state retail system
- Provides a rewarding working environment for enforcement officers
- Establishes meaningful and measurable outcomes
- Creates and maintains professional working relationships with licensees and stakeholders
- Recognizes the uniqueness and diversity of each area throughout the state

BACKGROUND

Connecting officer's work with the agency strategic goals presents challenges when our focus has been output rather than outcome driven. Officers primarily perform mandated tasks and operate in a reactive fashion to emergent situations. The balance of time, if any, is taken up by more elective tasks like premises checks and licensee contacts.

Most officers are remarkably resilient and responsive to the demands of the job and the direction of management. Managers are reporting officers are indicating they have started to feel their strengths and skills are underutilized because of the assigned numbers of mandated output activities. In fairness, there is likely a minority of officers on the other end of the spectrum that would like to do nothing but mandated activities to preclude decision making on their part. *How do we deal with these people?*

Officers who have been in the system for more than ten years have seen a reversal of relationships with their licensees. The older system was much more service based but lacked the informational resources available to us today. Today's officer spends the majority of time involved in enforcement activities. The result of this change has been a distancing of officers and licensees. Licensees, licensee advocate associations and our officers have repeatedly identified this widening gap as systemic to the loss of trust

between all parties; trust necessary to enable a positive business to regulatory agency relationship.

MANAGEMENT STATEMENT

The Enforcement and Education Division Management Team has adopted Officer Managed Area Planning (OMAP) as the operational template and measurement standard for the division. OMAP is a public safety and education philosophy promoting public safety through assessment of community vulnerability, planned deployment of resources, partnership with other law enforcement agencies and license specific education focused on licensees engaged in, or exposed to, high risk activities.

OMAP rewards officer initiative and responsibility by allowing for increasingly self-directed work plans formulated within their own teams and regions. Measurable outcomes related to self structured deployment plans are a written performance agreement between the officers and supervisors.

OMAP is directly aligned with the LCB's vision as it includes nationally recognized, innovative programs such as Locations of Strategic Interest. It encourages and motivates employees to expand their work strategies and ownership of goals through self directed work. The more responsibility an employee accepts the more control they have over their work day. Finally, successful implementation of OMAP requires collaboration and partnership to augment staffing resources. While enforcement officers cannot be everywhere at all times, well trained licensees, law enforcement and local authorities are effective and willing partners within their own communities. This is a valuable, but often overlooked resource for expanding our public safety influence.

Safety is the 4th word in the mission statement of the agency. <u>OMAP is about public safety.</u>

The very essence of OMAP is contained in the first goal of the agency which is providing public safety by assessing, analyzing, improving and enforcing laws. In a dwindling economy taking full advantage of resources is not just a good stewardship of the public's resources. It is imperative. OMAP can be positively and directly related to every part of the Vision, Mission, Goals and Values of this Agency.

OMAP

The plan begins with an evaluation of the current deployment of officers. Is each region's areas appropriately aligned within its boundaries and are the regional boundaries efficient to staffing deployment?

With the integration of the officer's electronic notebook, is the officer's area assignment most efficient to the officer's residence? This is now a more important factor because officers will not be making as many routine visits to the office. Ultimately the relationship of the residence to the assigned area is more important than the relationship between the officer's residence and office. *(Note: there is no plan to*

change officer's current workplace assignments. Such changes would be predicated on significant additional resource allocations through the existing decision package.)

Once the officer is assigned an area, the process of area assessment and work planning begin. The initial assessment is the responsibility of the area officer working with their supervisor. It identifies the public safety concerns and educational needs of the area. The needs assessment should include short, mid and long term needs. The assessment is a process supported by both training and template materials to facilitate standardization of methodology and includes but is not limited to:

- Immediate public safety concerns such as LSIs, nightclubs situated in multiple use neighborhoods, problematic licensees, gang related issues, etc

- Mid range needs represented by concentrated areas of nightclubs, low compliance rates for youth access, licensee and law enforcement educational needs

- Long range situations such as seasonal events which may include community celebrations, sporting events, planned concerts, the fall influx to a local university, graduations, proms, etc.

Once the priorities are identified for each area, officers then work with their supervisor to create a work plan to address the chosen issues. Although the form of the work plan will be a template, the actions addressed vary from officer to officer depending on their area assignment.

Common to every working plan will be:

- **Assessment – Team TOM (Mike F, Kent W, Woodrow P)**

  Assessment can include, but is not limited, to the following:

  o License type
  o Staffing levels
  o Violation history (using both liquor and tobacco compliance)
  o Area compliance rates
  o DUI activity
  o Law enforcement calls for service
  o Quality of referrals
  o Partnerships with law enforcement
  o Licensee / stakeholder input
  o Hours of operation
  o Inventory sets (Do displays move UAPs to alcohol stocking?)
  o Advertising (quantity and target groups)
  o Store policies
  o Pricing
  o Proximity and traffic flow to schools / parks / community centers
  o Risk management equipment

- o Scanners
- o Black lights
- o POS systems
- o Security Cameras

- **Prioritization – Team LISA (Kevin S, Blaire S, Kate M)**

  Our recent efforts around the decision plan emphasize the value of an officer's dedicated field time. OMAP maximizes this time through targeted activities but even the highest projected staffing levels will require prioritization of staffing assets. These priorities are clearly stated in the strategic plans and agency mission.

- **Goals – Team LISA (Same)**

  In plain talk, goals are our targets. These targets are clearly identified and support the strategic planning of the agency. These goals are the connection between the officers working on the street to the agency mission. These goals allow an officer to clearly identify where their work fits into the strategic plan.

- **Outputs, Methodology and Tools – Team SHERI (Dan R, Susan B, Steve T)**

  This is where tools, actions and plan methodology are outlined. This is where "if we do this, we have a reasonable expectation Outcome X" will occur.

- **Projected Timelines/Review Points – Team JENNIFER (Rob R, Frank G, Letty M)**

  As with the initiation of any new concept, and when you are dealing with situations where you do not have control of the whole equation, licensees and emergent issues, timelines are somewhat subjective. This creates an imperative responsibility on the supervisors to establish agreed upon review points to ensure projects are not drifting and officers understand and embrace the concept.

- **Measurable Outcomes Connected to Strategic Goals – Team JUSTIN (Marc E, Richard M, Dave C)**

  OMAP is about measurable outcomes. Whether an LSI style outcome of resolving the problem or eliminating the source, working as a team with Retail to ensure the compliance rate does not drop below 95%, providing targeted and tested education to high risk license types or any number of identifiable results, officers will be working in an outcome results oriented environment.

This is the area where the connection occurs between the officer, the area and accountability. The higher the level of independent success the more latitude in future work plans.

- **Agreement statement – Officer, Lt, Capt. – Team JENNIFER (Same)**

  In OMAP the catalyst of the process is a three level agreement that the work plan adds value to the mission. The officer agrees to perform the work, the supervisor is certifying the work adds value to the efforts of the team and the Captain is ensuring the team's efforts are in alignment with headquarters expectations and their own regional expectations.

Once the agreement statement is attached, officers move forward with their individual work plans. Officers utilize the full spectrum of tools available to them in the execution of their work plan. These tools include but are not limited to:

Licensee Education	Premises Checks	Compliance Checks
Undercover Operations	Emphasis Patrols	Community Involvement
Security Staff Assessment	Technology Rec.	Tech Assist Visits
Market Surveillance	Joint Patrols	Public Education
LSIs	New Licensee Follow Up	Special Events Checks
Technology	In House Compliance	Bar Sweeps for UAPs
Policy Review	Hours Flexibility	Team Operations
Media Involvement w/PIO	Law Enf Training	Innovation

OMAP represents the elimination of required generalized outputs. How an officer delivers the work plan outcomes is between the officer and the supervisors. How much supervisory direction is required depends on the experience, motivation and performance of the individual officer and their ability to work within a team environment.

OMAP Strengths	
▪ Direct alignment with strategic goals	▪ Provides ownership of assigned areas by officer, team, Captain
▪ Improves officer, Lt. and Capt. Performance competencies in planning and analysis	▪ Focus is on quality, not quantity
▪ Meets specific needs of a particular area, not one size fits all	▪ Identifies Measurable Outcomes
▪ Creates performance standards and expectations for every officer	▪ Allows for Activity/Output/Outcome analysis
▪ Excellent Technology Interface	▪

Five Legislatively Driven Rules

Chapter 314-02   Restaurant Retail Activities and Restaurant Liquor Storage under a Caterer's Endorsement

Stemming from Bills: HB 1349 (2007), E2SSB 5859 (2007), SSB 6770 (2008).

Effects of Rule:

- A spirits, beer, and wine restaurant may sell wine by the bottle to customers for take-away, even if the restaurant licensee does not own the label, exclusively or otherwise.
- A spirits, beer, and wine restaurant may sell kegs (four gallons or more) of malt liquor for off-premises consumption.
- The Washington State Liquor Control Board (WSLCB) will provide keg-registration forms free of change to beer and/or wine restaurants, to taverns, and to beer and/or wine specialty shops. Grocery stores and spirits, beer, and wine restaurants must purchase their keg-registration forms.
- Caterers may now store their alcohol off the licensed premises. Conditions include displaying the approval letter at each location, storing within the catering event locations, and submitting documentation for regularly scheduled catering events.

Chapter 314-05   Nonprofit Organizations and Business Practices Regarding the Use and Sale of Alcohol

Stemming from Bills: SHB 3128 (2006), E2SSB 5859 (2007), SSB 6770 (2008).

Effects of Rule:

- A 501(c)(3) nonprofit, or a local wine-industry 501(c)(6) nonprofit, is eligible for a special-occasion license, even if its board members are also members of a licensed domestic winery or a wine certificate of approval holder.
- In-state breweries and wineries, and out-of-state brewery and winery certificate of approval holders, may donate beer or wine to a special occasion licensee, provided that the special occasion licensee is a 501(c)(3) or a 501(c)(6) nonprofit.

Chapter 314-20   Breweries and Microbreweries

Stemming from Bills: SSB 6572 (2008), SSB 6770 (2008).

Effects of Rule:

- A licensed brewery or microbrewery may hold up to two retail liquor licenses for a tavern, a beer and/or wine restaurant, or a spirits, beer, and wine restaurant. The retail locations may be either on or off the brewery or microbrewery premises.

- Kegs and containers of beer or malt liquor may be sold from the brewery/microbrewery premises, or from the retail locations.
- A microbrewery may have one off-premises warehouse from which to store and distribute beer of its own production (and no one else's).
- "Contract production", which is undefined in statute, is clarified. Elements addressed include product ownership, labels, state taxes, who may sell and distribute the product, how total production is calculated (< 60,000 gallons/year for a microbrewery), and reporting and record-keeping requirements.

Chapter 314-24   Winery Regulation

Stemming from Bill: SSB 6770 (2008).

Effects of Rule:

- A domestic winery may have up to two additional retail locations. Permitted wine-related activities include serving samples and food items, selling for on- and off-premises consumption, and renting space for private or public events. Condition: Those that sell or serve for on-premises consumption (including samples) at an additional location must have a Class 12 or Class 13 alcohol-server permit.
- A winery licensee may request an outside designated area at an additional retail location.
- A bonded-wine warehouse may store and "handle" wine (e.g. repackaging, labeling), provide storage for another bonded-wine warehouse, and ship wine orders directly to consumers on behalf of a contracting winery. Condition: Only a winery may accept orders and payments for direct-to-consumer shipping that a bonded-wine warehouse does on its behalf.

Chapter 314-28   Distilleries and Creating a Craft Distillery License

Stemming from Bill: SHB 2959 (2008).

Effects of Rule:

- A craft distillery license is created, allowing a licensee to produce up to 20,000 proof gallons of its own spirits per year, sell spirits directly to customers at the licensed premises (for off-premises consumption), and provide free samples of its own production to customers on the distillery premises and to retailers.
- General requirements for a craft distillery include, but are not limited to, submitting licensing documents (including permits required by the federal government), and ensuring that at least 50% of all raw materials that are used are produced in Washington.
- A craft distillery must submit monthly reports and payments to the WSLCB. The WSLCB assesses a penalty of 2% per month, and may require a surety bond or dedicated

savings account, if reports or payments are submitted late or payment is returned for insufficient funds.

- When a craft distiller sells its product within the state (whether at the distillery premises or to the WSLCB), it must obtain retail pricing from the WSLCB and use the retail prices as set by the WSLCB. If a licensee wants to have its products sold at state liquor stores, then the licensee must also send a request for product listing.

- Record requirements for all distillery types include which records must be retained, how long they must be retained, and which copies of records the WSLCB requires or may request. Additional requirements that apply only to craft distilleries include submitting sales records and monthly returns.

Responsible Liquor Sales Training (RLST)

Project Overview:

The RLST project is created to reduce the number of under-age drinking and DUI related accidents in the State of Washington thru education of the servers and sellers of the alcohol products. The active member of the RLST project consisting of: Washington State Liquor Control Board (WSLCB), Washington State Traffic Safety Commission (WSTSC), Mothers Against Drink and Drive (MADD), Washington Restaurant Association (WRA), Korean-American Grocers Association (KAGRO), Neighborhood Association and MAST providers and trainers.

The plan is composed of:
1. Create testimonial video to enhance awareness of DUI and over-service impact in the society with clarification of roles and responsibilities of the servers and sellers of the alcohol.
2. Create and provide voluntary alcohol sellers training handbook for licensees and their employees of the grocery and convenience stores.

Based on this plan, the WSTSC provided $20,000 grant to support the plan.

Objectives

1. Provide a voluntary RLST program for off-premises licensees and their employees by December 2008.
   a. Provide instruction on how to check ID.
   b. Provide tips on how to identify signs of intoxication
   c. Provide tips and instruction on intervention techniques.
   d. Provide model in-house policy on alcohol handling.
2. Enhance current MAST by providing testimonial video on Over-Service/DUI.
   a. 35,000 people viewing by the end of September 2009.
3. Provide the RLST handbook to any new liquor licensees and their employees.
   a. 1,000 licensees and their employees trained in RLST by September 2009.
   b. Maintain the program at WSLCB-Licensing Division and provide them to any new liquor licensees and to their employees in on-going bases.
4. Monitor and evaluate compliance rates.
   a. 10% less violations among the voluntary participants by September 2010.

The committee has reviewed the following information:

According to the 2004 Monitoring the Future survey of secondary school students, 19% of 8th graders, 35% of 10th graders, and 48% of 12th graders consumed alcohol at least once in the past 30 days, while 11%, 22%, and 29% of students in these respective grades reported consuming five or more consecutive drinks ("binge" drinking) at least once in the past two weeks (Johnson *et al.*, 2005). Results of the 2004 National Survey on Drug Use and Health indicated that 50% of 18-20 year olds consumed some alcohol in the past month, while 37% reported binge or heavy drinking at least once in the past month (Substance Abuse and Mental Health Services Administration (SAMHSA), 2005). A conservative estimate of the annual social cost of underage drinking in the U.S. was $61.9 billion in 2001 (Miller *et al.*, 2006).

Despite a national minimum drinking age of 21 years, research indicates that 30 to 70 percent of alcohol outlets may sell to underage buyers, depending in part on their geographic location (Brittet et al., 2006; Forster et al., 1994 and 1995; Freishler et al., 2003; Crube, 1997; Preusser & Williams, 1992; Schwartz et al., 1998; Wolfson et al., 1996). Surveys of adolescents also indicate that alcohol is available from commercial sources. For example, a survey of youth in Minnesota and Wisconsin by Wagenaar et al. (1996) indicated that 3% of 9th graders, 9% of 12th graders, and 14% of 18-20 year olds obtained alcohol from a commercial source prior to their last drinking occasion. A recent survey of 11th graders in Oregon also revealed that 30% of past 30-day drinkers obtained alcohol from a commercial source (e.g. grocery, convenience, or drug store) (Dent et al., 2005).

Random alcohol purchase surveys were conducted in 45 Oregon communities in 2005. Underage-looking decoys who were 21 years old but did not carry IDs were able to purchase alcohol at 34% of the outlets approached. Purchase rates were highest at convenience (38%) and grocery (36%) stores but were relatively low (14%) at other types of outlets (e.g. liquor and drug stores) (MJ Paschall, JW Grube, Prevention Research Center, C. Black. A Biglan, Oregon Research Institute, R.L. Flewlling. C.L. Ringwalt, Pacific Institute for Research and evaluation). Studies also show approximately 50% of drinking drivers start their intoxicated journey from licensed establishments (Mosher, J., 1996).

WSLCB data illustrates compliance rates for state-operated liquor stores are 96%, compared to an average of 76% for licensees. The WSLCB requires all state employees to receive ID/Over Service training prior to making any sales in the store.

The Licensing and Regulation Division believes the best time to educate applicants is during the application process. The training handbook we plan to make available will provide applicants necessary information on how to serve and sell responsibly.

Improvement Opportunity:
Some research suggests that responsible alcohol sales training may be effective in reducing alcohol sales and service to underage patrons (Pruesser et al., 1994; Saltz, 1997; Toomey et al., 2001).

We see an opportunity to promote public safety by providing an easy to use training handbook for employees of the grocery and convenience stores and bring increased awareness of the DUI impact in the community via personal testimonial video. The video message will clarify roles and responsibilities of the alcohol servers and sellers. Nearly 35,000 people are trained in the MAST annually and DUI testimonial video will enhance the effectiveness of the training in at least two ways: raise awareness of DUI impact in the society and identifying the roles and responsibilities of the servers and sellers of the alcohol

The LCB reported nearly 5,000 grocery store licensees for the year 2007. The licensees are required review a CD briefing which reviews state liquor laws and procedures prior to obtaining a liquor license. However, their employers are not required to take any training. It is more problematic in small stores and with licensees where English as a second language. In research conducted by the Licensing and Enforcement employees last June, it was concluded that the training program was nearly non-existent, or lacking, in the following areas: sound liquor handling procedures, alcohol sales and service policies, penalties and consequences for selling or serving alcohol to underage patrons, and tips and exercises to help servers and sellers of the alcohol identify underage buyers, such as asking for proof of age.
The RLST project will address this problem and provide the training handbook for sellers of the alcohol products in the grocery and convenience stores. In addition, training handbook will be translated into Korean and Spanish languages.

LIQUOR CONTROL BOARD (LCB) WORKGROUP CHARTER

Title

Supplier Social Responsibility Advisory Workgroup

Sponsor(s)

Lorraine Lee, LCB Board Chairman
Pat McLaughlin, LCB Business Enterprise Director

Purpose

- Increase awareness and measurement of suppliers' social responsibility efforts
- Facilitate coordination between the LCB and suppliers on public safety campaigns in the stores and in other locations/media
- Enhance collaboration and partnership between LCB and stakeholders

Objectives

1. Determine what social responsibility activities suppliers currently have underway.
2. Agree upon the definition of Social Responsibility and how it contributes to the LCB mission
3. Develop measures for supplier social responsibility contributions on the LCB supplier scorecard and for non-scorecard suppliers.
4. Determine role and financial support that suppliers could have with agency public safety initiatives, initially focusing on in-store messaging.
5. Agree upon and document process for coordinating participation and involvement of all parties in public safety messaging.

Constraints

- Any recommendations that require additional funding or FTE's must be reviewed/approved by the Sponsors.
- Any recommendations or planned activities must align with the agency mission and regulatory authority.

Agency Goals Supported

- Provide the highest level of public safety by continually assessing, analyzing, improving, and enforcing laws, regulations, and policies to ensure they are easy to understand, effective and reflect today's dynamic environment.
- Create a culture that fosters excellent customer service, communication, accountability, data driven decisions, and business initiated process improvement including the use of integrated technology.

Timeframe

Meetings begin September 2008. Recommendations due to Sponsors by March 31, 2009.

Team Lead

Debi Besser, Director of Purchasing, LCB

Team Facilitator

Mona Moberg, Project Manager, LCB

Additional Team Members

Ruthann Kurose, Board Member, LCB
Kimberly Ward, Buying Manager, LCB
Steve Burnell, Marketing Manager, LCB
Brent Young, Remy Cointreau USA (DRAW President)
Arick Liske, Diageo North America (DRAW member)
Jeff Barr, Bacardi (DRAW member)
Scot Buchanan, Odom Corp (DRAW member)
Terry Adams, Ste. Michelle Wine Estates
Bill Ingersoll, Young's Columbia
Michael Langer, Prevention and Treatment Supervisor, Division of Alcohol And Substance Abuse, DSHS
Kathe McDaniel, Retail District Manager, LCB
Tony Masias, Alcohol Awareness Manager, LCB
Jim Hutchins, Process Improvement Manager, LCB
Brian Smith, Communications Director, LCB
Megan Renick, Administrative Assistant, LCB
(DRAW Alternate: Matt McCarthy, Southern Wine/Spirits West, DRAW Vice President)

Resources

- Liquor Control Board Mission Statement
- DISCUS Code of Responsible Practices for Beverage Alcohol Advertising and Marketing
- Meeting room facilities

Meeting Duration and Frequency

- Meetings will be scheduled for approximately three hours monthly at the Olympia LCB office.

Performance Measures

- Criteria developed for measuring supplier social responsibility efforts, and definition of how they will influence business decisions.
- Process developed for receiving and allocating funds from partners.
- Creative and logistical aspects of social responsibility messaging program defined, including roles and responsibilities of Board and partners.
- Communication of measures and program to partner community
- Increased level of supplier participation in social responsibility program, two years from implementation.

(rev. 8/25/08)

ISSUE PAPER: **Reduce Underage Drinking Coalition (RUaD) and Alcohol Industry Exploratory Meeting(s)**

Date: October 15, 2008

Presented by: Roger Hoen
                BAC Liaison Board Member, RUaD Coalition Co-Chair

Description of Issue

The purpose of this issue paper is to describe a proposed exploratory meeting(s) between the members of the RUaD coalition and members of the Alcohol Industry. The intention of this workgroup is to explore the possibility of developing communication and potential policy partnerships between the Alcohol Industry and Public Health and Safety interest groups. The proposal is to use the existing membership in RUaD and the existing membership in the Business Advisory Council (BAC) to provide representatives for this effort.

Why is this Necessary?

There is a strong desire from both sectors to improve communication and partnerships between the Alcohol Industry and the Public Health and Safety community.

Background

This is intended to explore the potential for a successful partnership among governments, the private sector, and civil society based upon mutual commitment to goals that simultaneously build business, social, health, and economic value.

Roger Hoen is sponsoring the formation effort due to his dual role as RUaD co- chair and Washington State Liquor Control Board (LCB) Liaison Board Member for the BAC. The LCB will facilitate the initial exploratory meeting but will not continue as an ongoing sponsor. The resulting ongoing forum and meetings, if formed, will be a RUaD function and will take place in conjunction with RUaD meetings and efforts.

SHARED EFFORTS FOR SHARED SOLUTIONS
RUaD / BAC Communication Workgroup

Purpose:
The purpose of this workgroup is to explore the potential for developing communication and possible policy partnerships between the alcohol industry and public health and safety interests.

Goal
Create an ongoing forum for the exchange of views.

Objectives
- Finding common advantages in the socially responsible exposure to alcohol and alcohol advertising
- Development of joint program efforts
- Negotiating consensus for positions on industry standards and policy

Constraints
- Can ground rules be agreed upon?
- Can trust and mutual understanding be achieved?
- Can respect for differences in approach and objectives be established?
- Are there mutual benefits?
- Can the partners meet their own objectives as well as common goals?

Outcome
The successful partnership among government, the private sector, and civil society based upon mutual commitment to goals that simultaneously build business, social, health, and economic value.

RUaD/BAC Joint Meeting

Meeting: Friday, October 31, 2008, 1:00 pm

Directions

Department of Health Tumwater Offices

Town Center 2 - 111 Israel Road S.E.

Driving directions:

Interstate 5 South, from Seattle or Tacoma
Take I-5 South to Exit 101(Not Highway 101 - Ocean Beaches)
Turn **left** at the stop light onto Tumwater Boulevard (previously Airdustrial Way).
Go to the second traffic light and turn **left** onto Capital Blvd.
Move to right lane, turn **right** on Israel Road
Town Center is on your right.

The parking garage is on the left and WA State Dept. of Health building is on the right. (The building is called Town Center II but there is no sign saying this.) The door to the building is set back from the street and says 111 on the door.